

Q2 Market Commentary 2026



The first quarter of 2026 has once again tested investors' resolve. Markets began the year confidently, buoyed by easing inflation, interest rate cuts, and solid company earnings. By late February, however, that optimism faded quickly as conflict broke out between the United States, Israel, and Iran, sending volatility sharply higher across global markets.

Market backdrop

In January and February, the economic picture looked encouraging. Inflation had continued to fall, several central banks had continued to ease interest rates, and earnings results confirmed that corporate profitability was holding up better than expected. Global assets advanced, supported by expectations that lower borrowing costs would provide much-needed momentum throughout 2026.

This positive backdrop changed abruptly when tensions in the Middle East escalated. Since the start of March, price movements have become extreme and unpredictable. Equity markets have pulled back from recent highs, bond yields have risen as investors reassessed inflation risks, and commodities have fluctuated sharply due to trade and transport disruptions. Day-to-day price swings of 2–5% have been common, reflecting how sensitive markets have become to every headline.





Inflation and interest rate expectations

The key question now is what higher commodity prices mean for inflation. Before the conflict, inflation looked broadly under control, paving the way for central banks to continue to lower interest rates. As the conflict continues, oil and energy prices have moved higher, and the risk that inflation may prove more persistent has also increased. As a result, markets are now pricing fewer rate cuts in 2026 and beyond, and in some circumstances interest rate hikes.

Markets are drawing comparisons with 2022, which is understandable but premature. That year, inflation surged as economies reopened after the pandemic while the war in Ukraine disrupted energy and food supplies. Central banks responded with rapid interest rate increases to contain inflation, which in some cases reached double-digit levels.

There are some similarities with what occurred back in 2022 but some key differences which the market is overlooking. While inflation could rise modestly from here, it remains well below the levels seen in 2022 when central banks first became concerned about longer-term inflation pressures. Interest rates are already higher and exerting a restrictive influence on consumers, businesses, and growth. Meanwhile, economic momentum and employment trends are weaker than they were at the start of 2022, pointing to a very different backdrop today. This shift in interest rate expectations has weighed on valuations across all major asset classes. Markets appear to be pricing in a very cautious outlook.

Periods of uncertainty often lead to this kind of reaction, and it is rarely permanent. We believe that, as volatility subsides in the weeks and months ahead, market attention will return to underlying fundamentals.

Staying focused on the long term

History shows that the most difficult times to remain patient are often those when patience matters most. Major geopolitical events create fear and confusion, but they rarely alter long-term fundamentals. The lesson from previous shocks, such as COVID, the Ukraine conflict, the mini-bond crisis, and the 2025 trade tariff sell-off, is consistent: markets tend to overreact initially and recover once clarity returns.

At MAIA we continue to take a long-term view. Our role is not to trade on daily news but to manage diversified portfolios designed to perform across full market cycles. Reacting impulsively in moments of stress often undermines long-term returns. Maintaining discipline and staying aligned with strategic objectives provides better outcomes for investors over time.

Despite the current turbulence, the global economy remains in reasonable shape and corporate earnings have generally been resilient. Once geopolitical risks begin to ease, these fundamental factors should reassert themselves as the main drivers of performance.



What we are doing now

Our immediate focus is on portfolio resilience, as such, we continue to review all portfolios, ensuring that each remains consistent with its risk profile and benchmark. Importantly, we are not making wholesale changes, but continue to actively review all asset classes, ensuring underlying fund performance is in line with our expectations and identifying areas where current volatility may create value once conditions stabilise.

Our investment process is designed to navigate episodes like this. It gives us the flexibility to adjust, when necessary, but also the structure to avoid unnecessary activity. Experience tells us that periods of excessive fear often lay the groundwork for attractive future returns.

Portfolio positioning

Equities

Equity exposure remains well diversified across styles, company sizes, and regions. Around three-quarters of our investments have a value bias, and valuations in many of these areas look increasingly appealing following the recent market pullback. We see opportunities in both developed and emerging markets, particularly where company earnings remain robust despite the macro uncertainty.

Fixed income

In fixed income, we maintain a balanced or “barbell” approach, combining high-quality government bonds with shorter-duration corporate bonds. Longer-term government debt offers protection against weaker growth or further market stress, while corporate bonds benefit from higher yields that help support portfolio income. This blend continues to provide both defence and return potential.

Alternatives

Our alternative holdings add further diversification. Defined return strategies provide structured outcomes that cushion against prolonged equity weakness, while infrastructure assets benefit from renewed government and corporate investment spending. The conflict has again underscored the importance of resilient supply chains, a theme that is likely to support infrastructure over the medium term along with the imbedded inflation protection within most of the infrastructure assets our portfolios have exposure to. We also retain exposure to gold and precious metal miners, which continue to act as a useful hedge against inflation and US dollar volatility.



Outlook

While the near-term outlook remains uncertain, the foundations for long-term investing are unchanged. Markets are currently dominated by emotion rather than fundamentals, but as was the case in previous crises, we expect stability to return once visibility improves.

Volatility can feel uncomfortable, yet it often creates opportunity. During March 2025, for example, global equities fell by around 10% before recovering those losses and reaching new highs within a few months. This pattern has occurred time and again: sharp declines driven by fear followed by recoveries once confidence returns. Maintaining discipline through such cycles remains essential to compounding returns over time.

Our strategy remains firmly focused on the long term. We believe the diversification across our portfolios, combined with disciplined risk management, provides a strong foundation for future growth. While we cannot predict when volatility will subside, we are confident that the portfolios are positioned to benefit as markets move beyond the current uncertainty.

MAIA Asset Management,
April Barns, Redditch Road,
Ullenhall, Warwickshire, B95 5NY

T. 01564 796870
E. info@maia-am.co.uk
www.maia-am.co.uk

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